



Tell
The Becker Milk Company Limited
Annual Report
Year ended April 30, 1975





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Highlights of the year

	Year Ended April 30		Percentage Change
	1975	1974	
Sales	100,011,774	82,512,538	+21.2
Operating earnings	7,541,665	5,533,008	+36.3
Net earnings	2,775,769	2,005,198	+38.4
Earnings per share	1.59	1.15	+38.3
Long term debt	2,442,495	2,268,244	+7.7
Shareholders' equity	13,110,424	10,755,786	+21.9
Shares outstanding — Class A	5,675	5,675	—
— Class B	1,179,610	1,179,610	—
— Common	540,750	540,750	—
Number of Stores	451	412	+9.5

Directors' report to the shareholders



Frank A. Bazos

We have concluded a year notable for world-wide economical and political adversity and uncertainty.

In 1974 the world experienced escalating energy costs, crop failures, high commodity prices, monetary instability and political turmoil.

We, in Canada, are very fortunate not to have been exposed to all of those unfavourable factors to the same extent as many other parts of the world.

In such favoured position our economy was able to out-perform most other developed nations. Despite this relative advantage, we also faced serious inflation and escalating wage demands, inconsistently accompanied by increasing unemployment.

Turning from the levels of world-wide and national economic performance to the accomplishments of our own industry, the position seems even more encouraging. It appears that the food industry is not as sensitive as most others to the fluctuations of economic conditions.

Our own operations particularly, have been favourable and the effectiveness of our policies has been proven. Becker's basic business philosophy has been to give customers the lowest possible prices consistent with high quality products and a reasonable return to shareholders.



Robert W. Lowe

This policy, applied to the convenience of store locations, opening hours and fast, friendly service, has been the cornerstone of our success.

These days of sharp inflation and high food prices appear to have made our pricing policies especially important. We serve consumers seeking contradictory goals. They demand convenience but look for bargains. As much as it is possible, we try to offer both.

A number of years ago food retailers found themselves faced with intensive competition within the industry. At the same time costs of doing business started to escalate. We had to strive for ways to improve our performance, to be as efficient and productive as possible.

The effectiveness of the measures taken has been demonstrated in our previous operating results. After a slight reversal in 1973, we again achieved new records in sales and earnings in 1974.

We were thus well prepared to challenge the adverse business and economic conditions of the year now ended. The results certainly confirm this.

It is indeed a pleasure to be able to submit to you such an excellent report of our operations. We again attained new records in sales and earnings and have established the fiscal year ended April 30, 1975 as the most successful year in our eighteen year history.

The sales for the year were \$100,011,744, showing an increase of \$17,499,236 or 21% over the sales of the previous year. This increase is very gratifying considering the fact that only the sales of company owned stores and the sales of our own processed products to our Franchise Dealers are reported.

It is of interest here that our franchising programme proceeded according to plans and the results were favourable. More stores were again transferred to Franchise Dealers during the year. This, of course, has had a somewhat limiting effect upon the sales growth as reported above.

The net earnings from operations were \$2,775,769 — an equivalent of \$1.59 per share. In the previous year the net earnings were \$2,005,198, or \$1.15 per share. The increase over the net earnings of the previous year amounts to 38% — a better rate increase than achieved in sales.

This is in part due to the effect of franchise stores, which as previously noted, have tended to limit sales growth but should continue to provide a certain amount of earnings growth to us.

We do believe that a larger measure of this relatively better earnings growth is due to timely adjustments continuously made to our operations in the light of changes in business conditions.

The one very noticeable area of adjustments is in capital expenditures. Fixed asset additions have more than doubled from the previous year. Store openings too have increased, but not sufficiently to account for all the increase in fixed asset conditions.

The additional expenditures have been made by accelerating the rate of real estate acquisition, by making further improvements and adding to production facilities, particularly in the area of automation, and by partly changing to diesel powered equipment in our delivery fleet. The sharp increases in occupancy, labour and fuel costs have made these moves advantageous.

Another effect of these expenditures has been the lowering of our working capital. In this respect it is of interest that the decrease in working capital this year almost equals the increase in working capital in the previous year.

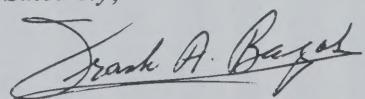
Our good cash flow from operations combined with the continued availability of the further \$2,000,000 long-term financing from our bankers still leaves us in a very strong financial position.

The increased number of store openings was mentioned earlier. We did open 46 new outlets, resulting in a net gain of 39 stores. It is evident from the map of the "Becker Country" (page 17) that the largest growth has again been in the areas outside Metropolitan Toronto. Actually, almost 40% of the growth was in the two latest additions to our "Becker Country" — the areas of Kingston and Niagara Falls. This development has expanded "Becker Country" to a point where now there are Becker's stores in over 120 different cities, towns and villages of Ontario. These are the communities where we are accepted by our customers as suppliers of convenience and high quality merchandise at economical prices.

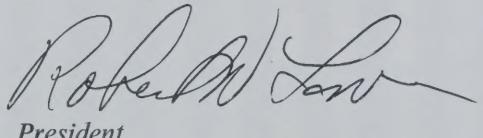
The acceptance by our valued customers, the loyalty and willingness of our employees and associates, as well as the support of our suppliers, has again made success possible.

We are proud of our record of past achievements and will continue to be guided by the principles upon which our progress has been founded. This enables us to look forward confidently to a new year of "Becker Country" expansion and of growth records.

Sincerely,

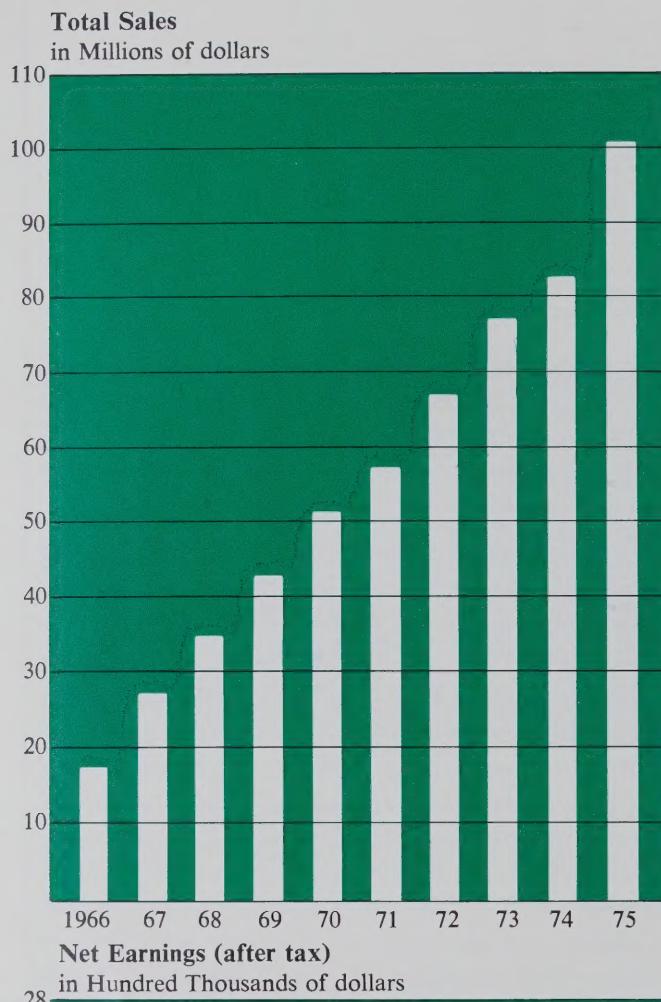


Chairman of the Board

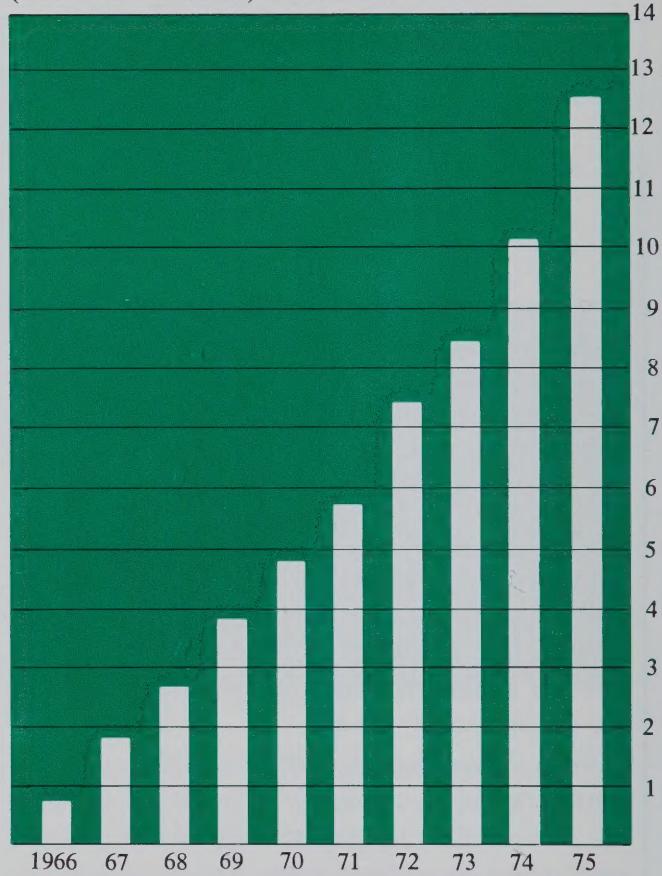


President

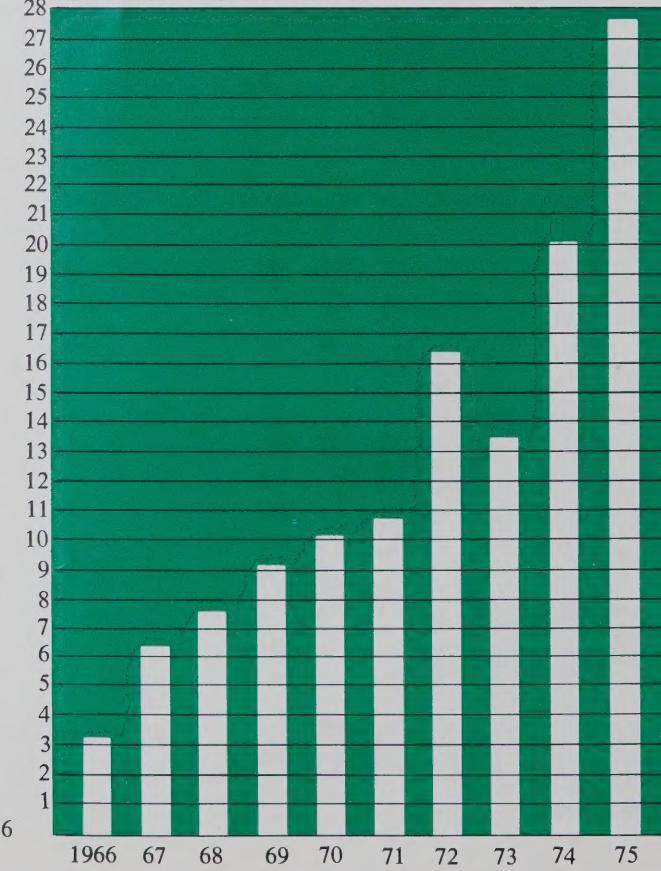
Financial Position



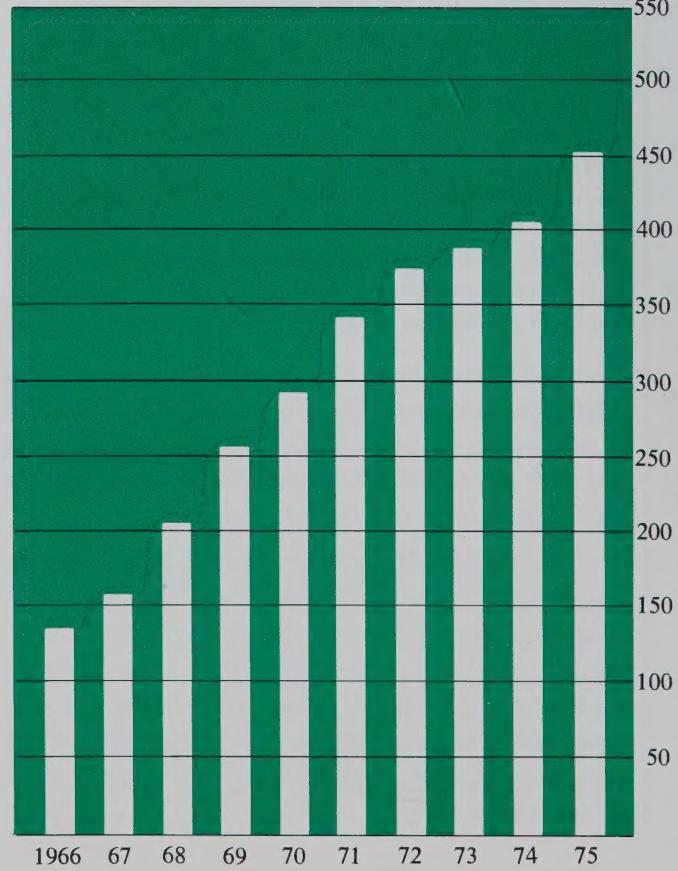
Shareholders' Equity
(Class B and Common) in Millions of dollars



Net Earnings (after tax)
in Hundred Thousands of dollars



Number of Stores



The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Retained Earnings

for the year ended April 30, 1975

	1975	1974
	\$	\$
Balance at beginning of year	9,320,543	7,607,450
Net earnings for the year	2,775,769	2,005,198
	12,096,312	9,612,648
Dividends — class A preference shares	34,050	34,050
— class B preference shares	265,412	176,942
— common shares	121,669	81,113
	421,131	292,105
Balance at end of year	11,675,181	9,320,543

Consolidated Statement of Earnings

for the year ended April 30, 1975

	1975	1974
	\$	\$
Sales — Note 1	100,011,774	82,512,538
Cost of goods sold	71,891,339	59,449,307
	28,120,435	23,063,231
Gross profit	20,578,770	17,530,223
Operating expenses		
Earnings before depreciation and amortization, interest charges and taxes on income	7,541,665	5,533,008
Depreciation and amortization	1,487,472	1,243,306
Interest charges	261,424	223,504
	1,748,896	1,466,810
Net earnings before taxes on income	5,792,769	4,066,198
Provision for income taxes —		
Current	2,907,000	1,963,800
Deferred	110,000	97,200
	3,017,000	2,061,000
Net earnings for the year	2,775,769	2,005,198
Earnings per class B and common share	1.59	1.15

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Balance Sheet as at April 30, 1975

ASSETS

	1975	1974
	\$	\$
Current Assets		
Cash	802,167	2,874,147
Marketable securities — at cost	5,073	5,073
Accounts receivable	1,273,686	711,794
Inventories — Note 1	6,498,638	5,200,255
Prepaid expenses and deposits	199,164	341,184
Mortgages receivable	172,567	87,350
	8,951,295	9,219,803
Investments		
Chattel mortgages receivable	648,656	350,558
Mortgage receivable	84,815	—
	733,471	350,558
Less: Principal due within one year	172,567	87,350
	560,904	263,208
Fixed Assets — Note 1		
Assets — at cost	21,614,550	18,115,254
Less: Accumulated depreciation and amortization	7,851,823	6,981,044
	13,762,727	11,134,210
Other Assets		
Rent deposits	15,867	13,580
Progress draws on equipment and building construction	286,917	112,912
Payment in respect of retail sales tax assessment — Note 2	163,375	163,375
Payment in respect of Department of Labour assessment — Note 3	582,575	—
Other	105,875	61,829
	1,154,609	351,696

Approved on behalf of the Board:

Director

Director

24,429,535 **20,968,917**

LIABILITIES

Current Liabilities

	1975	1974
	\$	\$
Accounts payable and accrued charges	6,764,815	5,936,571
Equipment instalments	35,450	—
Dividends payable — Note 6	215,045	169,583
Income and other taxes payable	655,278	738,161
Deferred franchise income	61,639	18,804
Sundry mortgages and debentures payable	235,068	282,447
	7,967,295	7,145,566

Long-Term Liabilities

Deferred franchise income	483,182	172,708
Series C debentures — Note 4	1,800,000	2,000,000
Sundry mortgages payable — Note 5	355,020	348,787
Other	101,000	48,000
	2,739,202	2,569,495
Less: Due within one year	296,707	301,251
	2,442,495	2,268,244
Deferred income taxes — Note 1	909,321	799,321
Total liabilities	11,319,111	10,213,131

SHAREHOLDERS' EQUITY

Share Capital

Authorized —
 8,000 — 6% cumulative class A preference shares with
 a par value of \$100 each, redeemable at par
 2,459,250 — non-voting, non-cumulative, participating
 class B preference shares without par value
 640,750 — common shares without par value

Issued and Fully Paid —		
5,675 — class A shares	567,500	567,500
1,179,610 — class B shares	867,455	867,455
540,750 — common shares	288	288
	1,435,243	1,435,243
Retained earnings — Note 6	11,675,181	9,320,543
	13,110,424	10,755,786
	24,429,535	20,968,917

The accompanying notes are an integral part of the consolidated financial statements.

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Changes in Financial Position for the year ended April 30, 1975

	1975	1974
	\$	\$
Sources of Working Capital		
Net earnings for the year	2,775,769	2,005,198
Non-cash charges deducted in arriving at earnings, principally depreciation and deferred income taxes	1,544,200	1,339,597
 Funds provided from operations	 4,319,969	 3,344,795
Increase in deferred income	267,639	99,709
Disposals of fixed assets	506,832	364,084
Other	53,000	28,000
 5,147,440	 3,836,588	
 Applications of Working Capital		
Fixed asset additions and progress draw payments	4,732,331	2,114,659
Dividends	421,131	292,105
Increase in investments	297,696	96,232
Decrease in long-term debt	146,388	292,469
Department of Labour assessments	582,575	—
Purchase of goodwill	55,269	—
Other	2,287	1,000
 6,237,677	 2,796,465	
 Increase (decrease) in working capital	 (1,090,237)	 1,040,123
Working capital at beginning of year	2,074,237	1,034,114
 Working capital at end of year	 984,000	 2,074,237

Notes to Consolidated Financial Statements as at April 30, 1975

1. ACCOUNTING POLICIES

Principles of Consolidation

The accounts of the subsidiary companies have been included in the consolidation from the date of their acquisition.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined for processing and warehousing inventory on a first-in, first-out basis and for retail store inventories on a first-in, first-out basis applied by the retail inventory method.

Inventory values are as follows:

	April 30	
	1975	1974
	\$	\$
Processing and warehousing	1,644,120	1,284,752
Store	4,854,518	3,915,503
	6,498,638	5,200,255

Fixed Assets

Fixed assets are valued at cost and are classified as follows: —

	1975	1974
	\$	\$
Land	1,606,519	1,244,975
Buildings and leasehold improvements	6,667,283	5,738,390
Store, production, automotive and office equipment	13,340,748	11,131,889
	21,614,550	18,115,254
Less: Accumulated depreciation and amortization	7,851,823	6,981,043
	13,762,727	11,134,211

Depreciation has been calculated in accordance with the Company's established policy of amortizing the depreciable properties over their estimated useful life, with the exception of trucks and automobiles, which have been depreciated at maximum normal rates permitted by regulation under The Canada Income Tax Act.

The Company has continued to claim maximum allowances for income tax purposes.

Sales

Sales include sales by Company-owned stores and sales by the Company to its franchisees.

Franchise Income

Franchise fees are taken into income over the term of the franchise agreement.

Income Taxes

Income taxes are accounted for on the tax allocation method, whereby income taxes are fully provided on reported earnings at current tax rates. Reported earnings differ from taxable income because of timing differences, principally depreciation and franchise fee income.

2. RETAIL SALES TAX ASSESSMENTS

The Company has contested two assessments levied by the Ontario Retail Sales Tax Department for the period November 1, 1964 to April 30, 1970. The first assessment in the amount of \$163,375 has been paid and the second assessment in the amount of \$272,776 is still unpaid. The Company has received an opinion of legal counsel that at the present time it can successfully defend the foregoing assessments.

3. DEPARTMENT OF LABOUR ASSESSMENTS

The amount assessed by The Divisional Court of The Province of Ontario has been paid. The Company applied and obtained leave to appeal the assessment to The Ontario Court of Appeal, and the matter is currently pending.

4. SERIES C DEBENTURES

The authorized maximum loan from the Company's bankers under these debentures is \$4,000,000. Draw downs may be made to January 1, 1977. Interest on the amounts outstanding will be at 1% above the bank's prime lending rate and is payable quarterly yearly. Repayment of principal is \$200,000 per annum. The loan may be prepaid at any time without notice or bonus. The Company's bankers will receive warrants to purchase class B shares at the rate of a warrant to purchase 2,000 shares for every \$500,000 loan so drawn down in excess of \$1,000,000, until warrants to purchase an additional 12,000 shares have been issued. The price per share shall be 10% above the closing bid quotation on the day previous to the draw down with respect to which the warrants were issued and may be exercisable for a period of five years from the date of the draw downs. Under an extension agreement, the bank's purchase price for the 4,000 shares for warrants issued to date has been reduced from \$19 1/8 (the price applicable at the date of draw downs) to \$12 1/2 each. The debentures are secured by a charge on all assets presently owned and hereafter acquired. Dividends may be paid on any class of shares provided capital and retained earnings exceed \$3,250,000.

5. SUNDY MORTGAGES PAYABLE

This amount covers 19 mortgages on properties purchased for retail store locations and additional warehouse and/or production facilities. The principal amounts mature up to 1983 with various interest rates not exceeding 10% per annum.

6. DIVIDENDS

On December 30, 1974, the Company declared a dividend of \$6 per share on its class A shares, being the dividend accruing from January 1, 1974 to December 31, 1974. This dividend totalling \$34,050 was paid on January 2, 1975. Dividends totalling 22 1/2¢ per share were declared on class B and common shares during the year.

7. FLOATING CHARGE DEBENTURES

\$450,000 principal amount of debentures of the Company, due on demand and secured by a floating charge, are lodged with the Company's bankers as collateral security for loans outstanding from time to time.

8. REMUNERATION OF DIRECTORS AND OFFICERS

Expenses include \$264,084 (last year \$241,325) for remuneration of officers and \$7,450 for directors (last year \$6,050).

9. LEASES

The minimum annual rentals payable (excluding insurance, property taxes and certain other occupancy charges) under the lease obligations for store locations amount to \$2,415,000. The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first, amounts to \$12,527,000.

10. COMPANY PENSION PLAN

During the year, the Company implemented a pension plan covering supervisory and executive personnel. A lump sum payment of \$240,766, made in respect of total available past service benefits, was charged to operations.

LANGLOIS, HAUCK & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings, retained earnings and changes in financial position present fairly the financial position of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1975 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Langlois Hauck & Company
Chartered Accountants

TEN YEARS OF

Year ended

\$

	1975	1974	1973
	\$	\$	\$
Sales.....	100,011,774	82,512,538	76,084,930
Earnings before depreciation and amortization, interest and taxes on income.....	7,541,665	5,533,008	3,950,902
Depreciation and amortization (Note 1).....	1,487,472	1,243,306	1,199,672
Interest.....	261,424	223,504	174,032
Taxes on income.....	3,017,000	2,061,000	1,212,500
Net earnings.....	2,775,769	2,005,198	1,364,698
Shareholders' equity (Note 2).....	12,542,924	10,188,286	8,475,193
Shares outstanding (Note 2).....	1,720,360	1,720,360	1,720,360
Net earnings per class B and common share (Note 3).....	1.59	1.15	.77
No. of stores (at end of fiscal year).....	451	412	392
Net fixed asset additions.....	4,225,499	1,750,575	2,324,134

\$

Notes

1. Figures for all years have been adjusted to reflect current Company policy on depreciation and amortization.

2. Combined Class B and Common.

3. Figures for all years have been adjusted for the ten-for-one stock split of February 28, 1967.

Net earnings per share have been adjusted to allow for the current years Class "A" preference dividend.

Dividends on Class "A" shares from January 1, 1975 to April 30, 1975 amounting to \$11,350 have not been declared and/or allowed in computing the shareholder's equity.

PROGRESS

April 30

1972	1971	1970	1969	1968	1967	1966
\$	\$	\$	\$	\$	\$	\$
68,670,017	56,956,164	50,636,008	42,581,264	34,511,342	27,150,658	19,966,503
4,381,989	3,252,808	3,271,049	2,716,803	2,189,374	1,707,740	1,039,740
1,110,483	958,516	814,019	693,962	483,576	395,838	315,746
175,962	195,230	194,858	80,813	51,562	30,038	34,583
1,484,400	1,111,560	1,197,800	1,025,431	857,663	656,419	352,646
1,611,144	1,075,002	1,064,372	916,597	796,573	625,445	336,765
7,316,581	5,901,457	4,853,593	3,815,981	2,708,463	1,940,340	728,552
1,720,360	1,719,220	1,718,260	1,717,540	1,703,700	1,703,000	1,600,750
.92	.60	.60	.51	.45	.35	.21
374	340	293	251	201	156	127
2,178,436	2,167,127	2,165,236	2,244,977	1,973,365	887,833	655,063

Directors and officers



Frank A. Bazos



Robert W. Lowe



E. S. Miles



William H. Zimmerman



Robert Bazos



George Panos



Arvi Magi



R. S. Paddon



Geoffrey W. J. Pottow

Board of Directors

Frank A. Bazos

Chairman of the Board
The Becker Milk Company Limited

Robert W. Lowe

President
The Becker Milk Company Limited

Robert Bazos

President
Perrette Dairy Limited

William H. Zimmerman
Queen's Counsel

E. S. Miles

Investment Dealer

George Panos

Vice-President
The Becker Milk Company Limited

Geoffrey W. J. Pottow

Vice-President
The Becker Milk Company Limited

Arvi Magi

Vice-President — Treasurer
The Becker Milk Company Limited

Officers

Frank A. Bazos

Chairman of the Board

Robert W. Lowe

President

Robert Bazos

Vice-President

Arvi Magi

Vice-President and Treasurer

George Panos

Vice-President

Geoffrey W. J. Pottow

Vice-President

R. S. Paddon

Secretary

**Registrar and
Transfer Agent**

The Royal Trust
Company, Toronto and
Montreal

Auditors

Langlois, Hauck &
Company, Toronto

Solicitors

Aird, Zimmerman &
Berlis

**Stock Exchange
Listing of Class "B"
Shares**

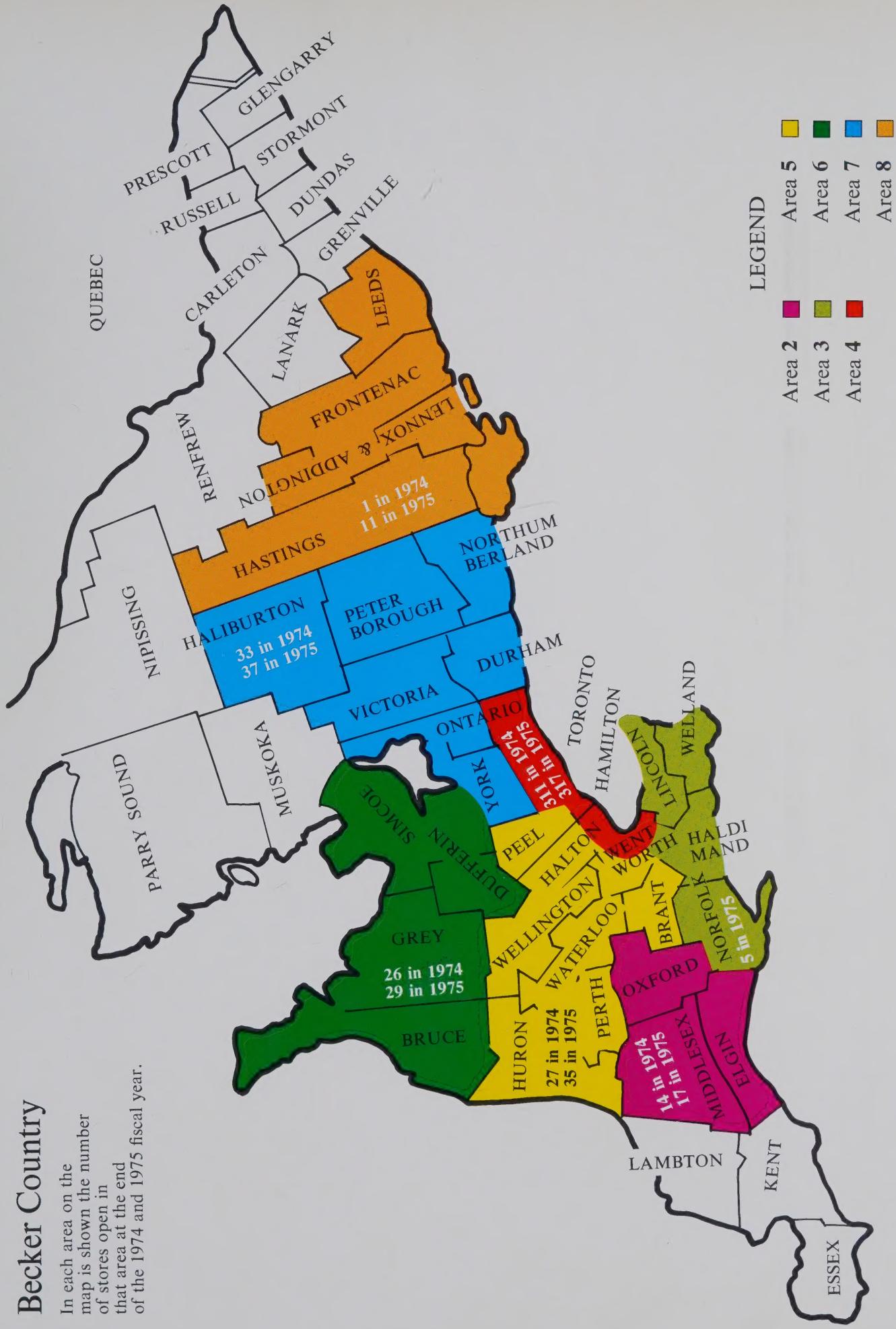
Toronto Stock Exchange

Head Office

671 Warden Ave.,
Scarborough, Ontario,
Canada

Becker Country

In each area on the map is shown the number of stores open in that area at the end of the 1974 and 1975 fiscal year.



The Becker Milk Company Limited, 671 Warden Avenue, Scarborough, Ontario

CONSOLIDATED STATEMENT OF
EARNINGS

UNAUDITED

FOR THE SIX MONTHS ENDED OCTOBER 31, 1975

HALF-YEAR HIGHLIGHTS

FOR THE SIX MONTHS ENDED OCTOBER 31, 1975

	1975	1974		1975	1974	
	\$	\$		\$	\$	
Sales	59,741,396	49,908,792	Sales	59,741,396	49,908,792	
Cost of goods sold	42,705,270	35,728,735	Operating earnings	4,611,753	4,041,198	
Gross profit	17,036,126	14,180,057	Net operating earnings	1,895,168	1,493,112	
Operating expenses	12,424,373	10,138,859	Earnings per share	1.09	.86	
Earnings before depreciation and amortization, interest charges and taxes on income	4,611,753	4,041,198	Long-term debt	2,448,703	2,394,555	
Depreciation and amortization	849,865	718,112	Shareholders' equity	14,790,547	12,076,862	
Interest charges	116,720	137,974	Shares outstanding			
	966,585	856,086	Class A	5,675	5,675	
Net earnings before taxes on income	3,645,168	3,185,112	Class B	1,179,610	1,179,610	
Provision for income taxes			Common	540,750	540,750	
Current	1,846,971	1,714,200	Number of stores	482	431	
Deferred	(96,971)	(22,200)				
	1,750,000	1,692,000				
Net earnings for the period	1,895,168	1,493,112				
Earnings per class B and common share	1.09	.86				

INTERIM REPORT

TO THE SHAREHOLDERS OF
THE BECKER MILK COMPANY LIMITED
AND SUBSIDIARY COMPANIES

For the six months ended October 31, 1975

Becker Milk Co Ltd.,
Toronto

BECKER'S

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

UNAUDITED

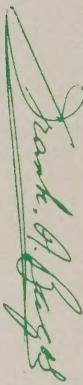
FOR THE SIX MONTHS ENDED OCTOBER 31, 1975

To Our Shareholders:
As of October 31, 1975 there were 482 Beckers' Stores in operation in our "Becker County".

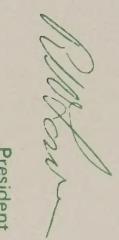
Sales of \$59,741,396 for the six month period showed an increase of \$9,832,604 or 20% over the sales of the first six months of last year.

Net earnings from operations were \$1,895,168, an equivalent of \$1.09 cents per share, after allowing for the proportional Class "A" Preference Share dividends. This shows an increase of 27% from the net operating earnings of \$1,493,112 or 86 cents per share in the same period last year.

Sincerely



Chairman of the Board



President

December 11, 1975

Application of Working Capital

	1975	1974
	\$	\$
Sources of Working Capital		
Net earnings for the period	1,895,168	1,493,112
Non-cash charges deducted in arriving at earnings, principally depreciation and deferred income taxes	750,445	697,824
Funds provided from operations	2,645,613	2,190,936
Decrease (increase) in investments	82,235	(25,529)
Disposal of fixed assets	20,796	91,948
Increase in long-term debt	6,866	33,277
	<u>2,755,510</u>	<u>2,290,632</u>
Application of Working Capital		
Fixed asset additions and progress draw payments	3,510,520	1,780,274
Decrease (increase) in deferred income	658	(93,034)
Dividends declared	215,045	172,036
Payment in respect of Department of Labour assessments	—	582,576
Purchase of goodwill	51,881	45,268
	<u>3,778,104</u>	<u>2,487,120</u>
Decrease in working capital	1,022,594	196,488
Working capital at beginning of period	984,000	2,074,237
Working capital (deficiency) at end of period	<u>(38,594)</u>	<u>1,877,749</u>